

Message Text

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44

ACTION TRSE-00

INFO OCT-01 EUR-12 EA-06 ISO-00 AID-05 CIAE-00 COME-00

EB-07 FRB-03 INR-07 NSAE-00 XMB-02 OPIC-03 SP-02

CIEP-01 LAB-04 SIL-01 OMB-01 NSC-05 SS-15 STR-04

CEA-01 DODE-00 PM-03 H-02 L-02 PA-01 PRS-01 USIA-06

FEA-01 INT-05 OES-03 /104 W
----- 129399

P R 141051Z APR 75

FM AMEMBASSY ROME

TO SECSTATE WASHDC PRIORITY 0591

INFO AMEMBASSY BERN

AMEMBASSY BONN

AMEMBASSY BRUSSELS

USMISSION EC BRUSSELS

AMEMBASSY THE HAGUE

AMEMBASSY LONDON

AMEMBASSY OTTAWA

AMEMBASSY PARIS

USMISSION OECD PARIS

AMEMBASSY STOCKHOLM

AMEMBASSY TOKYO

C O N F I D E N T I A L ROME 5393

E.O. 11652: GDS

TAGS: EFIN, IT

SUBJECT: CARLI COMMENTS ON ITALIAN BALANCE OF PAYMENTS
AND SWISS FRANC JOINING EC SNAKE

PASS TREASURY & FRB

1. SUMMARY. AT MEETING WITH TREASURY ATTACHE APRIL 14, BOI
GOVERNOR CARLI COMMENTED ON ITALIAN BALANCE OF PAYMENTS
SITUATION, PROSPECTS FOR FINANCING DEFICIT AND POSSIBILITY OF
SWISS FRANC JOINING EC SNAKE. END SUMMARY.

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2. CARLI ATTRIBUTED SIGNIFICANT IMPROVEMENT IN ITALIAN BALANCE OF PAYMENTS TO RUNDOWN IN INVENTORIES OF IMPORTED GOODS, RELATIVELY GOOD EXPORT PERFORMANCE, SHARPER REDUCTION IN CONSUMER DEMAND THAN HAD ORIGINALLY BEEN ANTICIPATED AND RELATIVELY HIGH ITALIAN INTEREST RATES. HE SAID THAT HE WAS AWARE THAT THERE WAS SOME RESISTANCE IN INTERNATIONAL COMMUNITY TO EXPORT-LED ECONOMIC RECOVERY. HOWEVER, IT WAS OBVIOUS THAT ITALY HAD TO RESTRUCTURE AND EXPAND ITS EXPORTS IF IT WERE EVER TO PAY FOR INCREASED COST OF ENERGY IN REAL TERMS. TREASATT TOLD CARLI THAT ELIMINATION OF PRIOR IMPORT DEPOSIT HAD MADE FAVORABLE IMPRESSION AT TIME WHEN THERE WAS TEMPTATION TO ENGAGE IN PROTECTIONISM. CARLI REPLIED THAT ELIMINATION OF DEPOSIT REQUIREMENT MADE IT MORE IMPORTANT THAN EVER THAT ITALY'S DOMESTIC INTEREST RATES REMAIN ABOVE INTERNATIONAL RATES.

3. AS TO POSSIBLE SOURCES OF FINANCING BALANCE OF PAYMENTS DEFICIT (ASSUMING THAT MODERATE DEFICIT CONTINUES THROUGH REMAINDER OF 1975), CARLI THOUGHT THAT PROSPECTS WERE IMPROVED FOR SOME RE-FINANCING THROUGH EUROMARKET. HOWEVER, BORROWING SHOULD NOT BE SOLELY FOR BALANCE OF PAYMENTS PURPOSES, BUT LIRE COUNTERPARTS SHOULD BE USED FOR PRIORITY INVESTMENT IN ITALY. CARLI CONFIRMED THAT ITALY SHOULD BE ENTITLED TO DRAW ABOUT \$1.5 TO \$1.6 BILLION FROM EXPANDED IMF OIL FACILITY SUBJECT TO INITIAL LIMITATION TO 30 PERCENT OF THIS QUOTA SINCE, APPARENTLY, FUNDS WERE NOT YET AVAILABLE FOR LARGER DRAWING. CARLI DID NOT INDICATE THAT ITALY HAD ANY IMMEDIATE PLANS FOR SUCH DRAWING. (IMF MANAGING DIRECTOR WITTEVEEN WAS RECENTLY IN ROME.)

4. WHEN ASKED ABOUT POSSIBILITY OF BORROWING FROM OIL PRODUCERS THROUGH EC JOINT LENDING ARRANGEMENTS, CARLI COMMENTED THAT HE HAD BEEN DISAPPOINTED IN WAY IN WHICH BORROWINGS FROM EC JOINT FACILITY AND OECD FINANCIAL SUPPORT FUND HAD BEEN CIRCUMSCRIBED. HE THOUGHT THAT EXPANSION OF SWAP FACILITIES WOULD HAVE PROVIDED MORE FLEXIBLE SOURCE OF FINANCING.

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5. TREASATT ASKED CARLI'S OPINION ABOUT PROPOSALS FOR SWISS FRANC TO JOIN EC SNAKE. CARLI REPLIED THAT HE WAS FAVORABLY DISPOSED TO THIS IDEA, SINCE ANY EFFORTS TO STRENGTHEN EUROPEAN MONETARY COOPERATION WERE DESIRABLE HE WAS AWARE OF RESERVATIONS WHICH MIGHT BE RAISED ON TECHNICAL LEVEL AND ADMITTED THAT SWISS FRANC PARTICIPATION IN SNAKE MIGHT MAKE RETURN OF LIRA TO SNAKE MORE DIFFICULT. BEAUDRY

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Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: REGIONAL ORGANIZATIONS, BALANCE OF PAYMENTS DEFICITS, MEMBER ADMISSIONS
Control Number: n/a
Copy: SINGLE
Draft Date: 14 APR 1975
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: MartinML
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1975ROME05393
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: GS
Errors: N/A
Film Number: D750129-0466
From: ROME
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1975/newtext/t19750454/aaaabybq.tel
Line Count: 115
Locator: TEXT ON-LINE, ON MICROFILM
Office: ACTION TRSE
Original Classification: CONFIDENTIAL
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 3
Previous Channel Indicators: n/a
Previous Classification: CONFIDENTIAL
Previous Handling Restrictions: n/a
Reference: n/a
Review Action: RELEASED, APPROVED
Review Authority: MartinML
Review Comment: n/a
Review Content Flags:
Review Date: 17 APR 2003
Review Event:
Review Exemptions: n/a
Review History: RELEASED <17 APR 2003 by BoyleJA>; APPROVED <17 SEP 2003 by MartinML>
Review Markings:

Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
05 JUL 2006

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: CARLI COMMENTS ON ITALIAN BALANCE OF PAYMENTS AND SWISS FRANC JOINING EC SNAKE
TAGS: EFIN, IT, SNAKE, (CARLI, GUIDO)
To: STATE
Type: TE
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 05 JUL 2006